

Fund Source Report

1021

Agric RLF

Agricultural Revolving Loan Fund

Year Authorized
1953

Year Repealed

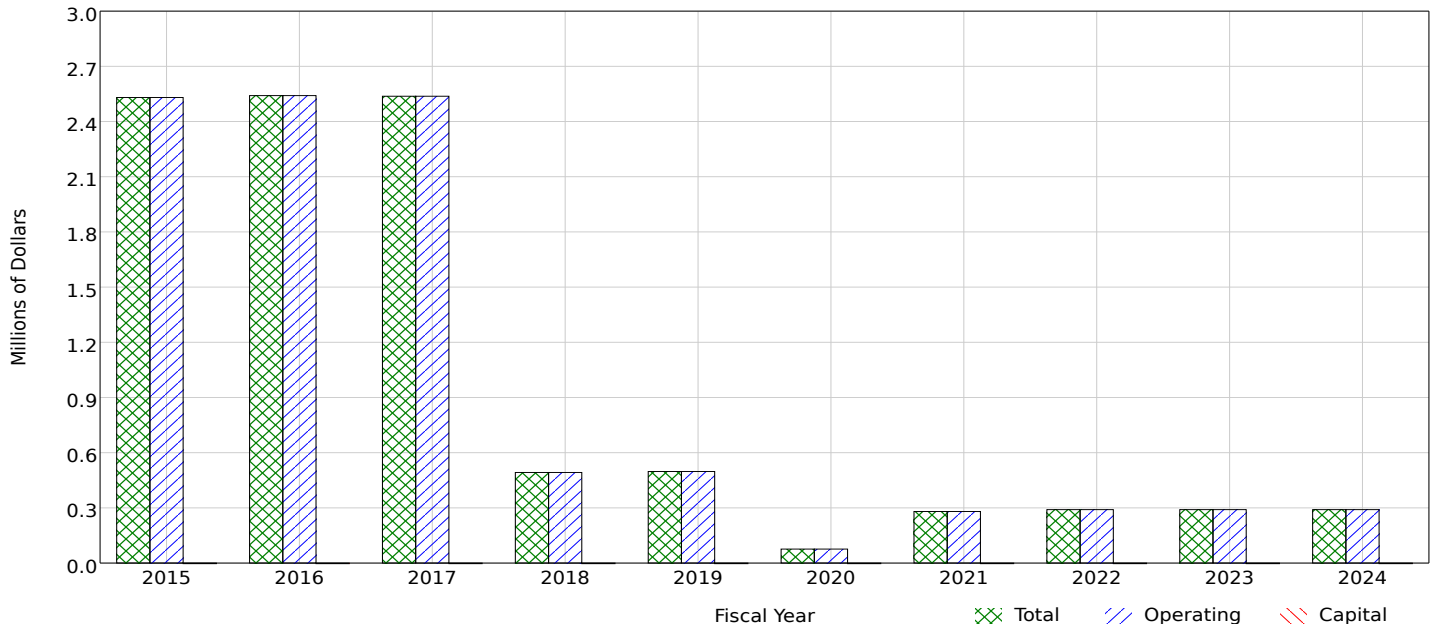
Active?
Yes

Mental Health?
No

Duplicated?
No

Fund Group
Designated General

Operating and Capital Appropriations



Legal Authority

AS 03.10.010 - AS 03.10.060

Source of Revenue

Consists of money appropriated by the legislature, interest earned from repayment of loans, and fund investment earnings.

Restrictions on Use

The Agricultural Revolving Loan Fund was established to promote the more rapid development of agriculture as an industry throughout the state by means of long-term, low interest loans. Its balance may not exceed \$75 million and money in the fund may be used to administer the loan program and for operations of the Board of Agriculture and Conservation.

Description and History

Created by the 1953 Territorial Legislature, the Alaska Agricultural Loan Act reflects policy to promote the development of an Alaska agriculture industry by means of long-term, low interest loans. The first appropriation to the fund in 1953 was \$200,000.

In the middle 1970's, changes that were proposed to the fund (but did not pass) included; 1) incorporating the assets and liabilities of the Alaska Rural Rehabilitation Corporation (ARRC) into the Alaska Agricultural Revolving Loan Fund, and 2) creating an Alaska Farm Credit Bank, designed after the Federal Farm Credit System, that would exclusively deal with agricultural loans and promote the growth of farming and ranching in Alaska. Neither of these proposals were enacted. The ARRC was a corporation of the state formed under the Federal Emergency Relief Act.

Other Similar Lending Programs Offered In Alaska:

1. The Consolidated Farm Service Agency (CFSA) is part of the US Department of Agriculture and a newcomer to Alaska farm lending. Since 1995, it has developed a significant presence in the State with a portfolio of over 60 farm loans that total approximately \$4 million.
2. The Alaska Rural Rehabilitation Corporation (ARRC) originally administered the federal government's program to relocate Depression-era farmers to the Matanuska Colony. The ARRC has not been affiliated with the federal government since 1938, and is a purely private lender organized as a nonprofit corporation with a revolving loan fund.
3. Farm Credit Services cooperative was created by Congress around 1915 and has provided more credit to the nation's farmers than any other lender. It currently has a limited presence in Alaska, with a portfolio of 25-30 loans that total about \$1 million.

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4. The Commercial Fishing and Agriculture Bank (CFAB) is a cooperative corporation established by AS 44.81. Despite its title, the bank does not currently have a major role in the State's farm lending. Its current portfolio of farm loans consists of three loans to a single borrower.

5. The Agricultural Revolving Loan Fund complements the aforementioned lending services in that it is the first stop for new farmers and it is the source of dependable, long-term financing for the greenhouse operations that are the backbone of the State's agricultural production.

From 1953 to 1976, \$3,640,000 General Funds were appropriated to capitalize the Agricultural Revolving Loan Fund (ARLF). From 1977 to 1984, nearly \$63 million additional General Funds were appropriated to capitalize the ARLF. The growth of available funds for lending supported the increased limits on the amount for loans to farmers. In FY80 \$1.2 million was appropriated out of the fund to pay for unanticipated fire fighting costs. Statutorily, the balance of the fund shall not exceed \$75 million.

The fund was intended to be a self-sustaining loan fund, however, a 1998 Legislative Audit report included a projection of the ARLF's cash flow that showed the fund's balance will decline by approximately \$750,000 per year, in part due to use of funds for purposes unrelated to the intended purpose.

The fund is administered within the Department of Natural Resources by the Board of Agriculture and Conservation. Loans may not be made without the approval of the Board except for small emergency loans that can be approved by a select committee of the Board.

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The fund code continued to be used for non-designated purposes within DNR until FY08. Although use since then has been limited to program administration, those costs jumped from less than \$1 million annually prior to FY05 to about \$2.5 million annually.